

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6429**

**BILL NUMBER:** HB 1717

**DATE PREPARED:** Mar 16, 1999

**BILL AMENDED:** Mar 15, 1999

**SUBJECT:** County motor vehicle excise surtax.

**FISCAL ANALYST:** Bob Sigalow

**PHONE NUMBER:** 232-9859

**FUNDS AFFECTED:**     **GENERAL**  
                              **X DEDICATED**  
                              **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill requires the Bureau of Motor Vehicles to issue a credit under the motor vehicle excise surtax in the same manner that credits are available under the motor vehicle excise tax. The bill also provides that the motor vehicle excise surtax is to be prorated based on the month of registration.

**Effective Date:** January 1, 2000.

**Explanation of State Expenditures:** (Revised) According to the Bureau of Motor Vehicles (BMV), there would be some costs associated with this change. The BMV has offered two options to implement the necessary changes. The estimated costs are as follows:

Option 1 would include a redesigned registration form. In addition to the net surtax, it would include the gross surtax and the credit amount. Due to the larger size of the redesigned registration form, the cost of procuring forms and envelopes would increase. Option 2 would not include the gross amount or the credit amount and would not require redesign of the form.

According to the BMV, the costs for each option is as follows:

<b><u>Start-up costs:</u></b>	<b><u>OPTION 1</u></b>	<b><u>OPTION 2</u></b>
Computer Changes	\$ 67,658	\$ 57,262
Change to Existing Manuals	5,000	5,000
Redesign of Registrations	3,000	0
Training	5,000	5,000
Equipment	<u>6,000</u>	<u>6,000</u>
<b>Total Start-up Cost</b>	<b>\$ 86,658</b>	<b>\$ 73,262</b>

**On-going Annual Costs:**

Addtl BMV Personnel (1 Clerk III)	\$ 27,379*	\$ 27,379*
Addtl Cost of Registrations & Envelopes	11,000	0
Additional Forms	<u>750</u>	<u>750</u>
<b>Total On-going Cost</b>	<b>\$ 39,129</b>	<b>\$ 28,129</b>

\* - Personnel costs were estimated by LSA based on the state salary schedule, standard costs for fringe benefits and indirect costs.

The computer changes outlined in the BMV's estimate include changes to the BMV registration database, the BMV accounting and financial system, and the Branch Office Support System. According to the BMV, this estimate is based on industry standard charges for the number of analyst hours necessary to complete the changes.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions. BMV expenditures are funded from the Motor Vehicle Highway Fund.

**Explanation of State Revenues:****Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) This bill would give taxpayers in those counties with a motor vehicle surtax the same type of credit that is given for excise taxes paid on a vehicle that is sold or destroyed during the registration year. This credit would be good against a surtax liability for a vehicle purchased during the same year. This bill also provides for a pro-rated surtax charge if a vehicle is acquired or brought into Indiana during the registration year.

In CY 1998, 23 counties imposed the surtax for a combined income of \$24.9 million. This bill would cause a reduction in the revenue collected for surtax. The actual amount of the reduction depends on the number of vehicle sales and replacement purchases, and on the number of pro-rate candidates in each individual county that levies the taxes.

Based on the excise tax credits granted in CY 1998, the BMV estimates that the surtax credit granted by this bill would have reduced surtax proceeds by a total of \$2.7 million (11% of total surtax) for all of the surtax counties. The individual county reductions range from 5% to 17%. A detailed list by county is available from the Legislative Services Agency.

**State Agencies Affected:** Bureau of Motor Vehicles.

**Local Agencies Affected:** Surtax Counties, and cities and towns located in those counties.

**Information Sources:** Mary DePrez and Jane Morrical, Bureau of Motor Vehicles.